

**KPSC 99-434**

**Review of BellSouth Telecommunications,  
Inc.'s Price Regulation Plan**

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**AUG 01 2003**

**PUBLIC SERVICE  
COMMISSION**

**BellSouth Telecommunications, Inc.'s  
Response to the Commission's August 3, 2000,  
Order**

**Filed: August 1, 2003**

**EDITED**

**BellSouth Telecommunications, Inc.**  
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Louisville, KY 40203

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**Dorothy J. Chambers**  
General Counsel/Kentucky

502 582 8219  
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August 1, 2003

Mr. Thomas M. Dorman  
Executive Director  
Public Service Commission  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, KY 40602

Re: Review of BellSouth Telecommunications, Inc.'s Price Regulation Plan  
Case No. 99-434

Dear Mr. Dorman:

Pursuant to the Commission's August 3, 2000, Order in the above-captioned case, enclosed for filing is information from BellSouth regarding the three year review of BellSouth's Transition Regulation Plan.

Exhibit 4 to the letter from Joan Coleman to Thomas M. Dorman dated August 1, 2003, contains confidential, commercial, or proprietary information and, pursuant to 807 KAR 5:001, Section 7, enclosed is BellSouth's Confidentiality Petition.

One proprietary and ten edited copies of the information are provided to the Commission. An edited copy is provided to parties of record. If any party to this case desires a proprietary copy of this filing, they should contact my office.

Sincerely,

  
Dorothy J. Chambers

Enclosures

cc: Parties of Record

500196

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

**RECEIVED**

**AUG 01 2003**

**PUBLIC SERVICE  
COMMISSION**

In the Matter of:

REVIEW OF BELL SOUTH )  
TELECOMMUNICATIONS, INC.'S )  
PRICE REGULATION PLAN )

CASE NO. 99-434

CONFIDENTIALITY PETITION  
PURSUANT TO 807 KAR 5:001 SECTION 7

Petitioner, BellSouth Telecommunications, Inc., ("BellSouth"), hereby moves the Public Service Commission of the Commonwealth of Kentucky (the "Commission"), pursuant to KRS 61.878 and 807 KAR 5:001, §7, to classify as confidential the highlighted information contained in Exhibit 4 to the letter to Thomas M. Dorman, Executive Director – Kentucky Public Service Commission. The Exhibit shows names of specific Competitive Local Exchange Carriers ("CLEC") operating in BellSouth's Kentucky territory and estimates of their access lines. These CLECs are wholesale customers of BellSouth.

The Kentucky Open Records Act exempts certain commercial information from the public disclosure requirements of the Act. KRS 61.878(1)(c)1. To qualify for this commercial information exemption and, therefore, keep the information confidential, a party must establish that disclosure of the commercial information would permit an unfair advantage to competitors and the parties seeking confidentiality if openly discussed. KRS 61.878(1)(c)1; 807 KAR 5:001 § 7. The Commission has taken the position that the statute and rules require the party to demonstrate actual competition and the likelihood of competitive injury if the information is disclosed.

This information is customer specific information to which those customers have an expectation of privacy. Information provided to the Commission concerning specific customers also may be Customer Proprietary Network Information ("CPNI") and should not be publicly disclosed without the approval of the individual customers.

The material for which BellSouth seeks confidential treatment in the portion of the Exhibit identified above also contains commercially valuable information. All of the information identified herein has potential value to other participants in the local exchange market, such as incumbent local exchange carriers (ILECs), competitive access providers (CAPs), facilities-based competitive local exchange carriers (CLECs), cable companies who have developed or are contemplating the development of wholesale or retail network products, and wireless providers.

Public disclosure of the identified information would provide competitors with an unfair competitive advantage. The Commission should also grant confidential treatment to the information for the following reasons:

- (1) The information for which BellSouth is requesting confidential treatment is not known outside of BellSouth.
- (2) The information is not disseminated within BellSouth and is known only by those of BellSouth's employees who have a legitimate business need to know and act upon the information;
- (3) BellSouth seeks to preserve the confidentiality of this information through all appropriate means, including the maintenance of appropriate security at its offices; and

(4) By granting BellSouth's petition, there would be no damage to any public interest.

For the reasons stated herein, the Commission should grant BellSouth's request for confidential treatment of the identified information.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Dorothy J. Chambers", written over a horizontal line.

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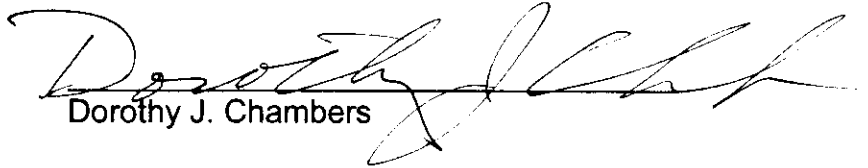
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COUNSEL FOR BELL SOUTH  
TELECOMMUNICATIONS, INC.

500179

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served on the individuals on the attached Service List by mailing a copy thereof, this 1st day of August 2003.

  
Dorothy J. Chambers

**SERVICE LIST - PSC 99-434**

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Joan A. Coleman  
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August 1, 2003

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**PUBLIC SERVICE  
COMMISSION**

Thomas M. Dorman  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
P. O. Box 615  
Frankfort, Kentucky 40602-0615

Re: Case No. 99-434, Review of BellSouth Telecommunications, Inc.'s Price Regulation Plan

Dear Mr. Dorman:

In its August 3, 2000 order in this case (Transition Regulation Plan - TRP order), the Commission approved BellSouth's proposed TRP for a three-year pilot period. In that order, the Commission directed BellSouth to file information with the Commission within three years that proposed the method of regulation the Company recommended at the conclusion of the pilot program (see TRP order, page 18). In response to this Commission request, BellSouth proposes the current TRP continue since the current TRP plan can provide the flexible framework that is necessary to respond to changes in the Kentucky telecommunications market. A tariff revision reflecting the proposed change is being filed with this letter. The TRP has met or exceeded the Objectives of the Plan, and it has provided the framework for the Commission to allow the Company to respond to competition, and, therefore, respond to customer needs. Additional pricing flexibility will likely be required as we move along the continuum towards increased competition and deregulation.

#### **Executive Summary**

The innovative Transition Regulation Plan (the TRP) approved by the Kentucky Public Service Commission has succeeded beyond its original objectives during the three-year pilot. BellSouth's customers have benefited under the TRP, and Kentucky's consumers have seen their competitive choices for telecommunications services increase dramatically.



One of the TRP objectives was to ensure reasonable rates and good service for customers as competition drove changes in the marketplace, including the need to eliminate rate subsidization. Under “rate rebalancing” provisions of the plan, rates for basic telephone service have remained very affordable with small increases for residential customers and decreases for many business customers.

At the same time, BellSouth’s Kentucky customers have experienced excellent service by any measure. Tough internal and Commission measurements demonstrate consistently good service. And customers recognized BellSouth with the top ranking in the J.D. Power and Associates study of customer satisfaction.

Increased flexibility and efficiency in meeting customers’ needs was another objective of the TRP. Within the framework of the TRP, BellSouth has been able to price optional services at market rates, while providing a significant number of promotional offers to customers. In addition, streamlined filing procedures and requirements have enabled the company to be more responsive to customers.

The TRP also benefited customers in more rural areas of the state by providing them with access to high-speed communications services. The TRP, which included incentives to deploy broadband services through much of BellSouth’s rural Kentucky service area, exceeded its objectives. Now customers in 97 communities have access to broadband access services provided by BellSouth.

Competition has flourished under the Transition Regulation Plan. There are now more than 80 CLECs operating in Kentucky. Kentucky consumers’ choices for their telecommunications services have expanded in every part of the state, including the smaller, rural communities. In fact, in all of the territory served by BellSouth in Kentucky, there are no fewer than six, and sometimes more than 50, CLECs now providing competitive telecommunications services.

More consumers also are moving away from traditional telephone service providers and choosing competitive alternatives, such as cellular phones and services provided by cable companies. Clearly more demanding consumers, increased competition in the marketplace and new technologies will push our industry into uncharted waters.

Overall, the Transition Regulation Plan achieved and even exceeded its objectives over the past three years. Continuing the TRP will provide the regulatory framework needed to tackle the tough issues arising from the swift and dramatic increase in competition in our industry as we move towards less regulation. The TRP will continue to benefit consumers and keep the state in the forefront when it comes to regulatory policy.

### **Evaluation**

BellSouth believes the TRP has been an appropriate next step in the continuum towards deregulation in the Kentucky telecommunications industry. A key element of the TRP has been the flexibility it has allowed the Commission to adjust regulatory procedures in the increasingly competitive marketplace. Examples include streamlined filing

procedures for promotions and contracts and modified bill presentation requirements. The customers in Kentucky benefited from the TRP because the Company was able to file with the Commission changes to the TRP to streamline regulation of promotions and Contract Service Arrangements (CSAs), which allowed the Company to focus on providing competitive alternatives to its customers upon customer request and without regulatory delay.

In summary, BellSouth believes the Commission has established a regulatory framework with the TRP that, if the flexibility is maximized, produces benefits for all stakeholders: consumers, the Commission, and BellSouth. The TRP also allows appropriate responses to continually changing circumstances on the path towards deregulation.

In its TRP order, the Commission noted continued and increasing regulatory flexibility is a must for BellSouth to successfully participate in the Kentucky marketplace in the future. In its TRP order, the Commission noted:

“The Commission’s goals have been met in the past through these alternative regulation methods, and it now appears that additional innovations are necessary to enable BellSouth to adjust to the changing telecommunications environment. Competition is becoming more prevalent, business rates have moved much closer to competitive market rates, and new technologies have produced services no one envisioned only a decade ago.” (see TRP order, pages 2-3)

The factors the Commission identified which produced the need for the TRP (increasing competition, new technologies), plus others (changing roles in the marketplace, regulatory uncertainty, convergence of technologies) are all still present and are even more prevalent in today’s Kentucky market where wireless, cable and CLECs are very active. These factors still support the flexibility provided in this regulatory framework that must be dynamic enough to respond to the various changes in the market.

Certainly, more changes will be needed in pricing and regulatory processes as the industry continues to evolve. BellSouth will continue to propose the changes necessary to respond to this increasingly competitive marketplace and the move towards deregulation of the telecommunications industry. Some examples of those expected changes in the near future include requesting additional rate rebalancing, promotion notice flexibility, and metro pricing initiatives. In the Commission’s Order dated July 9, 2003, in Case No. 2002-00421 regarding zone charges, the Commission suggested that the Company evaluate these charges in the future. The Company is reviewing possible zone charge reductions with a rate rebalance for filing after approval of the TRP. BellSouth also anticipates filing both a metro-pricing plan that would target additional pricing flexibility needs in the metropolitan areas where the most significant facilities-based competition exists, and proposals to detariff services.

There are numerous other proceedings currently or imminently before the Commission including Presumptive Validity, Contract Service Arrangements, and the expected state proceedings following release of the Triennial Review Order from the FCC. In such a

dynamic environment, with so many players offering various modes of communications, an open and flexible regulatory framework where ideas can be presented and approved is essential. As the industry changes and competitive offers are more creative and responsive to customers' needs, BellSouth will actively pursue the initiatives that it believes are needed with respect to the retail market.

### **Objectives of the TRP**

As indicated above, the Company believes the Objectives of the TRP have been met, or exceeded, throughout the Pilot TRP and that the Plan should be continued. In its TRP order, the Commission commented on the goals of the regulation plan then in effect, as well as future goals:

“The Audit Report concludes, and the Commission agrees, that these objectives have generally been met and should continue to be goals of this Commission in future regulation of BellSouth.

The Audit Report proposes two additional objectives. The first is to permit BellSouth to adjust the prices of its retail services toward incremental costs based on market price. The second is to ensure that the introduction of competition to all markets in Kentucky is not hindered by the method of regulation. The Commission agrees that these goals must be adopted.” (see TRP order, page 3)

BellSouth believes the current goals and objectives of the TRP, as approved by the Commission, continue to be an appropriate set of goals and objectives for the near term as the industry moves towards more deregulation. The TRP has proven to be effective in allowing the Commission and the Company to meet those objectives.

The specific objectives of the TRP are listed in Section A36.1.1.B of the Company's General Subscriber Services Tariff, and have been met as follows:

**Objective Number 1: Ensure basic service continues to be available at reasonable rates, and shield the basic ratepayer from significant price increases resulting from the changing marketplace.**

This objective has been met and continues to be an appropriate objective. Basic service continues to be provided at reasonable rates. This first objective is focused where it should be – on consumers. As the telecommunications industry has moved along the path to full competition, significant concern has been voiced about what effect this evolution will have on basic exchange rates that historically have been subsidized by now competitive business and access services. A lot of work remains to be done, but with the Commission's help, BellSouth has been able to rebalance rates in Kentucky over the last three years under the TRP. This rebalance which was gradual, controlled, and targeted at the high cost areas of the state, was not contested by our customers.

Even after this rebalance, BellSouth's residence exchange rates are still comparable to those of the other major local exchange carriers in Kentucky (basic residential rates range from \$15.20 in out state to \$18.40 in Louisville). As some points of comparison, Cincinnati Bell's rates range from \$16.95 (in relatively dense areas like Florence) to \$26.00 (in less dense areas like Falmouth and Glencoe), and Kentucky ALLTEL's rates range from \$13.20 in numerous exchanges to \$18.95 in Lexington (South Shore's local exchange rate is \$18.99).

In addition to the controlled rebalance of basic exchange rates, the Commission and BellSouth have further ensured the availability of affordable rates under the TRP by continuing to provide options to exchange rates like Area Calling Service (A3.2.8), Local Measured Service (A3.2.3), Area Plus ® service (A3.2.10), and Lifeline service (A3.31).

#### Objective Number 2: Continue to provide high quality service.

Today's customers have more choices for their telecommunications services, which puts them in a position to define and demand high quality service. According to customers -- as well as virtually all internal and external measures -- BellSouth has continued to provide high quality service.

BellSouth and its employees have received top honors in numerous independent studies and surveys of customers, including:

- Number 1 ranking in all factors of customer satisfaction with local service in the Southeast by J.D. Power and Associates regional study. Ranked overall and highest in all six major factors of the study: customer service, performance and reliability, company image, billing, cost of service, and offerings and promotions.
- Number 1 ranking American Customer Satisfaction Index, Local Telecommunications Industry Group, conducted by the National Quality Research Center at University of Michigan's Business School, May 2003 (for the 10<sup>th</sup> straight year).
- Number 1 for the second straight year in the Yankee Group's Technologically Advanced Family survey.

#### Service Quality Measurements

BellSouth constantly measures its service quality against customers' standards and the Company's tough standards, as well as the service objectives set by the Commission. BellSouth's consistent good service is reflected in the results of the service quality measurements. In fact, overall BellSouth's service objective results improved during the years of the TRP. A comparison of service objective results prior to the TRP and those achieved during the TRP is attached as Exhibit 1.

## Continuous Improvement

BellSouth employees are very proud of the Company's long tradition of excellent service. Yet in today's competitive market, BellSouth must work to continue improving service quality. To strengthen the service focus and continue improving customer satisfaction, BellSouth employees work with five guiding principles for providing excellent service known as *The Customer Rules*: 1) Take Ownership . . . and Show We Care; 2) Be Responsive and Deliver; 3) Do It Right; 4) Make It Seamless; and 5) Meet Our Commitments.

Dozens of Kentucky employees have been recognized with Service Leader Awards. The Customer Rules guiding principles have become part of the Company's everyday focus and commitment to service excellence. And a number of improvements have been implemented in the way BellSouth operates and interacts with customers.

## Emergency Preparedness

BellSouth is known as an industry leader in emergency preparedness. Its experienced, well-trained, and dedicated employees have kept up a long record of service continuity and recovery during ice storms, floods, tornados and other emergencies. Now BellSouth has applied the same high standards to preparedness for potential threats to national security and the security of the network.

A cornerstone of the Company's preparedness is its program of preventive measures, one of the most comprehensive in the industry. BellSouth's network is built to survive, particularly when it comes to central offices and the interoffice switching network. While loss of a facility is extremely rare, BellSouth has developed an extensive organizational structure for emergency preparedness and restoration – at the local, state and regional levels. The Company has defined Emergency Response Teams and regularly conducts drills and reviews of procedures.

Objective Number 3: Permit the Commission and the Company to direct their energies to meet customers' needs and enhance efficiency in the provision of telecommunications services throughout Kentucky.

This objective has been met and continues to be an appropriate objective.

Throughout the review of the significant regulatory issues before the Commission dealing with opening the local network to competition and evaluating BellSouth's application to enter the long-distance business, the TRP has allowed all to focus on the appropriate regulatory matters, those of wholesale relationships and issues. As the methods and procedures of the Commission's regulation of BellSouth have been modified over the last three years, the Commission, the Company, and other Stakeholders have had the

opportunity to enter into meaningful discussions on various subjects such as presumptive validity, bill format, promotions, and Contract Service Arrangements.

Objective Number 4: Provide enhanced incentives to invest in new technologies and services.

This continues to be an appropriate objective, and through BellSouth's investment in new technology in the state, this objective has not only been met but it has been exceeded.

The Commission's recognition and approval of the TRP provided incentives for BellSouth to begin broadband deployment to 35 rural wire centers in Kentucky that, at that time, had limited alternatives for broadband access. Over the course of the TRP, significant competition and increased Internet usage have encouraged the additional deployment of broadband in Kentucky. As a result of these market dynamics, BellSouth has deployed well beyond the originally proposed 35 wire centers to over 98 wire centers (see Exhibit 2a for deployment listing and maps in Exhibits 2a and 2b for comparisons). This brings the total number of BellSouth's broadband capable wire centers in Kentucky to 115. Remote solutions have also been deployed in various exchanges to enable additional customers to have access to broadband. Certainly this has benefited Kentucky consumers through increased access to broadband services. In response to market conditions, additional infrastructure deployments are planned for this year that will continue to enhance BellSouth's Kentucky broadband capability. Permitting the competitive broadband marketplace to work will ensure that continued investment and service development are driven by demand. In total, BellSouth will have invested nearly \$35M in broadband technology in Kentucky. Many end users in Kentucky also have additional broadband capability offered through competitors such as cable, non-ILEC DSL providers and wireless service providers. Of these, cable and wireless have no regulation by the Commission and non-ILEC DSL providers have minimal regulation by the Commission. Regulatory parity among broadband providers and the regulatory certainty it brings are necessary for continued incentives and growth of the broadband markets in Kentucky.

The negative impact of regulatory uncertainty upon investment in new technology is well illustrated in the Commission's divided decision regarding provisioning of BellSouth's wholesale DSL over UNE-P (KY PSC Case No. 2002-00432, appealed to federal court). As Chairman Huelsmann correctly recognized in his dissent, regulation that is inconsistent between the state and federal jurisdictions is "pure and simple regulatory uncertainty" which creates "a situation in which there is less incentive for BellSouth to deploy broadband throughout the state." BellSouth could not agree more. The Commission order in this case not only creates regulatory uncertainty and a potentially detrimental impact on technological investment in Kentucky, but it also is fundamentally unfair in its taking of BellSouth's market-based investments to unfairly advantage competitors who, unlike BellSouth, have chosen not to invest capital for broadband in this Commonwealth.

Objective Number 5: Permit the Company the added flexibility to price competitive services, set depreciation rates, and respond to a changing marketplace.

This objective has been met and continues to be an appropriate objective.

The Commission has allowed the Company to move its rates for many optional, discretionary services to their market rates. The opportunity to recover revenue from the marketplace that properly reflects the value consumers place on these services provides the Company incentive to expand the availability of existing services, and to introduce new ones. In addition, the Company has been able to provide a significant number of promotional offers to its customers as a result of this market pricing of services.

In addition to providing flexibility for the Company to set depreciation rates and price services at market rates, the TRP has allowed the Company to better respond to the marketplace. This response has been accomplished through the Commission's approval of modified filing procedures for promotions and Contract Service Arrangements (KY PSC Case No. 2001-077). The Company also expects to better address customers' needs and desires in the display of billing information, as a result of the Commission's decision to modify the requirements for presentation of regulated and non-regulated charges on customers' bills (KY PSC Case No. 2002-310). Please see the discussion for Objective 3 above.

Pricing flexibility for competitive services is essential to maximize the benefit to the consumers in Kentucky. Such pricing flexibility will likely be targeted at services and packages for individual customers and groups of customers in response to competitive alternatives and customer needs. Innovative pricing plans and packaging of services are critical to BellSouth and its ability to adequately respond to the competitive marketplace.

Objective Number 6: Permit all Company retail rates to move toward incremental cost or market price.

This continues to be an appropriate objective and this plan has made significant strides in this regard. Additional rebalancing may still be appropriate. As an example, the Company is reviewing possible zone charge reductions to be accomplished through a rate rebalance. Please see discussions for Objectives 1 and 5, above.

Objective Number 7: Ensure that the potential introduction of competition to all markets in Kentucky is not hindered by the Plan.

This objective has been met and continues to be an appropriate objective. There has been significant activity, by both this Commission and the FCC, to facilitate the introduction and foster the growth of competition. There are now more than 80 CLECs providing services in Kentucky. CLEC presence grows daily and as of the end of May 2003 the Company estimates CLECs are now serving over 200,000 Kentucky consumers. Exhibit

3a illustrates the estimate of the total lines now served by CLECs in BellSouth's Kentucky territory. The chart also indicates the estimated trend of CLEC provided lines through the end of 2003. This represents approximately 17% of the combined residential and business market share in Kentucky (see Exhibit 3b). Exhibits 3a and 3b are based upon June 2003 information. Exhibit 4 provides additional detail capturing the quantity of resold lines and an estimate of the quantity of facility based lines served by multiple CLECs operating in Kentucky thru May 31, 2003. The number of lines served by each provider has been redacted to maintain the confidentiality of this information.

Kentucky consumers' choices for telecommunications services continue to expand. One might expect more competitive alternatives in Kentucky's most densely populated areas - and this is true. Today there are over 50 CLECs serving customers in the Louisville market.

But what about consumers in Kentucky's smaller towns? In all the Kentucky territory served by BellSouth, there are no fewer than six and sometimes more than 50 CLECs now providing competitive telecommunications services. That is without considering the additional wireless, cable or municipal competitors offering services. Consider this list:

<b>Location</b>	<b>CLECs Serving</b>
Nebo	16
Willisburg	6
Fredonia	9
Milton	9
Pikeville	32
Mayfield	27
Utica	7
Virgie	23
Sacramento	10
Pineville	30
Owensboro	45
Bowling Green	46
Winchester	37
Louisville	51
Panther	13
Dixon	16

Exhibit 5 is a Kentucky map illustrating the availability of consumer choices for their telecommunications services. Additionally, Exhibit 6 is a representative sample of advertisements for CLEC service bundles and offers available to nearly all Kentucky consumers.



In the last three years, the Commission has assured that BellSouth provides the same outstanding service quality to both its retail and wholesale (CLEC) customers. In 2001, the Commission adopted BellSouth's Service Quality Measurements plan.<sup>1</sup>

The Commission's oversight of the competitive telecommunications marketplace clearly has brought choices to Kentucky's consumers. However, the world and competition are changing. Many consumers are making the choice to use their cellular phones in lieu of the traditional wireline alternative. The FCC noted in its *Seventh Report*, "an estimated 3 to 5 percent of consumers have 'cut the cord,' meaning they do not subscribe to wireline phone service."<sup>2</sup> Additionally, a May 2003 study "Mobile Wireless as a Substitute for Primary Fixed Line Service" by Ernst & Young LLP and PriMetrica indicated that the FCC's assessment might be too conservative. As written, "The study estimates the replacement for fixed line at a much higher level than the 3% to 5%, 'Usage substitution, mobile wireless for fixed line, appears to be more prevalent with estimates ranging from 11% to 20% of the mobile wireless customers having replaced 'some' to a 'significant' share of their fixed line usage with mobile wireless usage."

Cellular companies are aggressively marketing full service bundles with features such as voice mail, three-way calling, caller ID, call waiting, call forwarding, 'free' long-distance, unlimited night and weekend calls, unlimited mobile wireless to mobile wireless calls. Exhibit 7 illustrates some of the service plans available to nearly any Kentucky consumer.

Kentucky consumers are also being offered other non-regulated alternatives. Cable television providers are now offering enticing bundles that not only include basic and premium television channels, but also Internet access, long distance service and local telephone service. Other forms of telecommunications services are available to Kentucky consumers. Exhibit 8 is a copy of a July 7, 2003 *USA Today* cover story reporting that Voice Over Internet Protocol ("VOIP") technology has "suddenly arrived—and it's poised to rock the telecommunications industry." The article also maintains "... technological advances and broadband's growth have made calls on the Net, or Internet-like private networks, roughly equivalent to traditional phone service."

### **Conclusion and Proposal**

The TRP has met the objectives set for it three years ago. The TRP framework continues to be an appropriate regulatory plan as we move towards deregulation because it has a proven track record of meeting the stated objectives, and because, at its maximum, it provides the flexibility in regulation that is needed in today's telecommunications environment. We expect the regulatory framework to continue to evolve just as it has done since we initially moved away from traditional Rate of Return regulation in 1988.

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<sup>1</sup> Case No. 2001-105, Investigation Concerning the Propriety of InterLATA services by BellSouth Telecommunication, Inc., Pursuant to the Telecommunications Act of 1996.

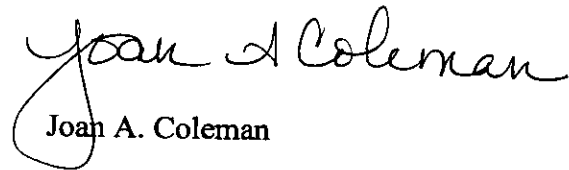
<sup>2</sup> Implementation of Section 6002(b) of the Omnibus Budget Reconciliation Act of 1993, Annual Report and Analysis of Competitive Market Conditions with Respect to Commercial Mobile Services, *Seventh Report*.

Just as the Commission has approved prudent modifications and changes in its requirements for BellSouth over the last three years (billing format, promotions, CSAs), the Commission and other interested stakeholders will have the same opportunities under a continuation of the plan to evaluate and make decisions regarding new proposals the Company likely will introduce for services as the dynamically changing Kentucky telecommunications marketplace continues to develop.

The only specific change BellSouth proposes at this time is to eliminate the three-year reference in the tariff. The attached tariff proposal (Exhibit 9) reflects that change.

We appreciate the Commission and staff's willingness to provide consumers the benefits of moving towards deregulation in the telecommunications industry. The flexibility allowed under the TRP is an appropriate next step in this continuum. Should you or the staff have any questions concerning this filing or need additional information, please call me at 502-582-2167, or Jim Tipton at 502-582-8925.

Very truly yours,



Joan A. Coleman

Attachments

**Comparison of Kentucky Service Objectives Results Prior to the TRP and During the TRP**

Misses:	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003*</u>
10(1) Percent of requests for regular service fulfilled within five (5) working days unless the applicant specifically requests a later date. (Objective: 90%)							
	0	0	0	0	0	0	0
15(2) Percent of telephone calls experiencing blockage due to an equipment or all trunks busy condition within the local dialing area. (Objective: No more than 5%)							
	0	0	0	0	0	0	0
15(3) Percent of telephone calls offered to toll connecting or interexchange trunks encountering an all trunks busy condition. (Objective: No more than 3%)							
	0	0	0	0	0	0	0
22(1) Average speed of answer time for operator assisted calls and calls requiring operator number identification. (Objective: Not to exceed 8 seconds)							
	0	0	0	0	0	0	0
22(2) Average speed of answer time for calls to repair service. (Objective: 20 seconds or less)							
	0	0	0	0	0	0	0
25(3) Percent of out-of-service troubles cleared within 24 hours unless the customer request a later time. (Objective: 85%)**							
	4	3	2	1	2	3	1
25(4) Average rate of customer trouble reports per 100 access lines. (Objective: 8 or less)							
	0	0	0	0	0	0	0
<b>Total Misses:</b>	4	3	2	1	2	3	1

\*Results through the month of May

\*\*Higher than expected work loads often caused by weather related events such as thunderstorms, floods, tornados, and most recently the ice storm of 2003 contributed to the misses associated with this objective.

**BellSouth Kentucky DSL Equipped Wire Centers**

**EXHIBIT 2a**

Central Office CLLI	Central Office	Date Deployed
ALLNKYMA	ALLEN	February - 2002
BDFRKYMA	BEDFORD	July - 2001
BLFDKYMA	BLOOMFIELD	2H2003
BNTNKYMA	BENTON	April - 2001
BRGNKYMA	BURGIN	April - 2002
BRTWKYMA	BARDSTOWN	March - 2001
BVDMKYMA	BEAVER DAM	July - 2001
BWLGKYMA	BOWLING GREEN	January - 1999
BWLGKYRV	BOWLING GREEN RICHARDSVILLE	March - 2002
BYVLKYMA	BEATTYVILLE	July - 2001
CADZKYMA	CADIZ	July - 2001
CLAYKYMA	CLAY	March - 2002
CNCYKYMA	CENTRAL CITY	September - 2001
COTNKYMA	CROFTON	April - 2002
CRBNKYMA	CORBIN	June - 2001
CRBOKYMA	CRAB ORCHARD	2H2003
CRLSKYMA	CARLISLE	February - 2002
CRTNKYMA	CARROLLTON	June - 2001
CYDNKYMA	CORYDON	March - 2002
CYNTKYMA	CYNTHIANA	September - 2001
DAVLKYMA	DANVILLE	March - 2001
DRBOKYES	DRAKESBORO	September - 2001
DWSPKYES	DAWSON SPRINGS	February - 2002
EDVLKYMA	EDDYVILLE	March - 2002
EKTNKYMA	ELKTON	May - 2002
ELCYKYES	ELKHORN CITY	February - 2002
EMNNKYES	EMINENCE	July - 2001
ENSRKYMA	ENSOR	October - 2001
FDCKKYES	FEDSCREEK	2H2003
FKLNKYMA	FRANKLIN	June - 2001
FLTNKYMA	FULTON	September - 2001
FRFTKYES	FRANKFORT EAST	February - 2001
FRFTKYMA	FRANKFORT MAIN	January - 2000
GBVLKYMA	GILBERTSVILLE	June - 2002
GNVLKYMA	GREENVILLE	May - 2001
GRTWKYMA	GEORGETOWN	June - 2001
HABTKYMA	HABIT	March - 2002
HANSKYMA	HANSON	March - 2002
HDBGKYMA	HARRODSBURG	June - 2001
HNSNKYMA	HENDERSON	May - 2001
HPVLKYMA	HOPKINSVILLE	May - 2001
HRBGKYES	HARDINSBURG	June - 2002
HRFRKYMA	HARTFORD	July - 2001
HRLNKYMA	HARLAN	June - 2001
HWVLKYMA	HAWESVILLE	May - 2002
INEZKYMA	INEZ	April - 2002
JCSNKYMA	JACKSON	February - 2002
JNCYKYMA	JUNCTION CITY	February - 2002
LBJTKYMA	LEBANON JUNCTION	2H2003
LGRNKYES	LAGRANGE	July - 2000
LOUSKYES	LOUISA	August - 2003
LRBGKYMA	LAWRENCEBURG	February - 2001
LSVLKY26	26TH STREET	October - 1999
LSVLKYAN	ANCHORAGE	April - 1999
LSVLKYAP	ARMORY PLACE	April - 1999
LSVLKYBE	BEECHMONT	March - 2000
LSVLKYBR	BARDSTOWN ROAD	April - 1999
LSVLKYCW	CRESTWOOD	July - 2000
LSVLKYFC	FERN CREEK	May - 2000
LSVLKYHA	HARRODS CREEK	July - 2000
LSVLKYJT	JEFFERSONTOWN	June - 2000
LSVLKYO	OKOLONA	April - 1999
LSVLKYSH	SHIVELY	May - 2000
LSVLKYSL	SIX MILE LANE	April - 1999
LSVLKYSM	ST MATTHEWS	April - 1999
LSVLKYTS	THIRD STREET	April - 1999
LSVLKYVS	VALLEY STATION	May - 2000

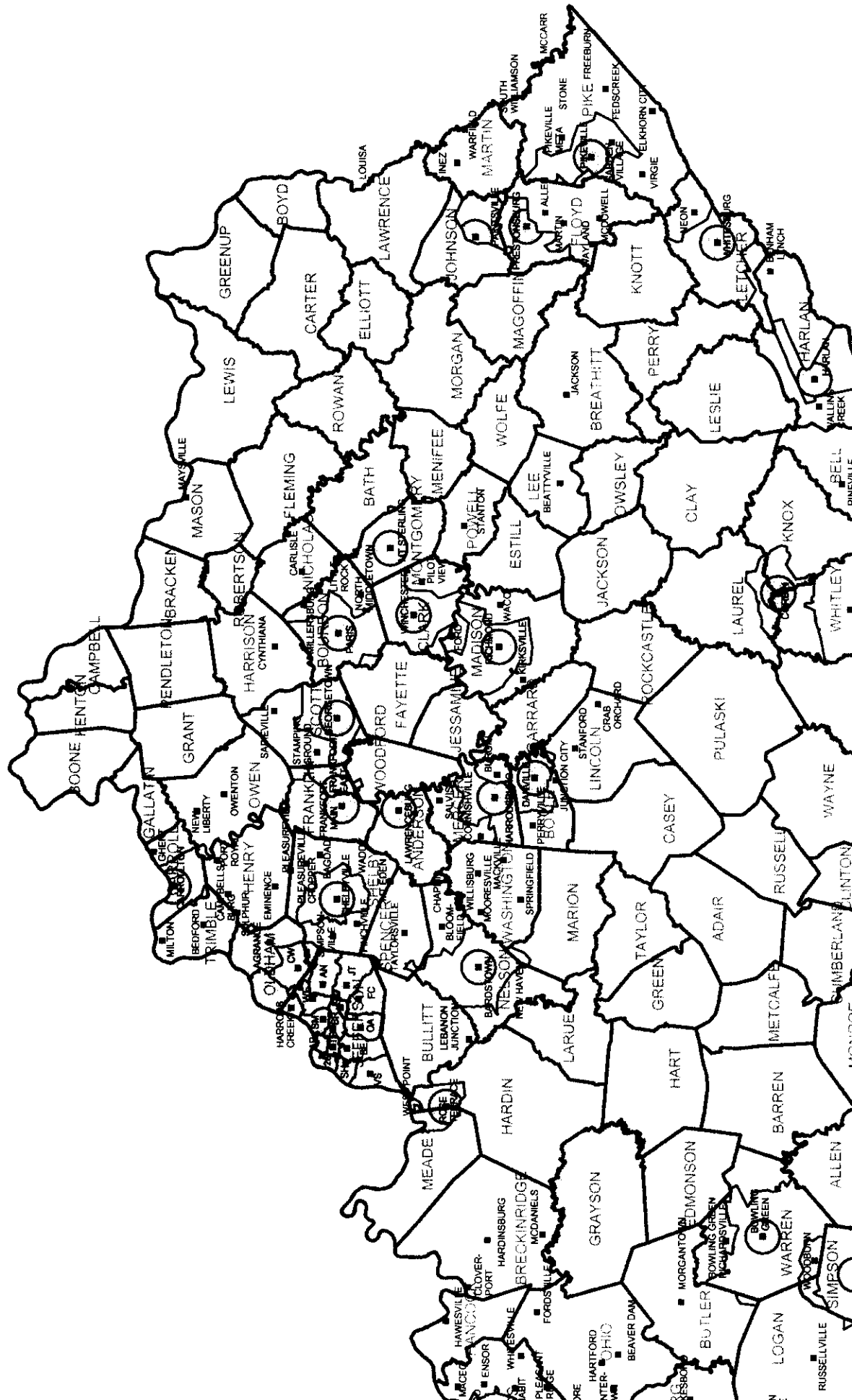
**BellSouth Kentucky DSL Equipped Wire Centers**

**EXHIBIT 2a**

Central Office CLLI	Central Office	Date Deployed
LSVLKYWE	WESTPORT ROAD	April - 1999
MACEKYMA	MACEO	April - 2002
MARNKYMA	MARION	October - 2001
MARTKYMA	MARTIN	February - 2002
MCDNKYMA	McDANIEL	2H2003
MCWLKYMA	McDOWELL	2H2003
MDBOKYMA	MIDDLESBORO	June - 2001
MDVIKYMA	MADISONVILLE	March - 2001
MGFDKYMA	MORGANFIELD	July - 2001
MGTWKYMA	MORGANTOWN	March - 2002
MRRYKYMA	MURRAY	April - 2001
MTSTKYMA	MT STERLING	June - 2001
MYFDKYMA	MAYFIELD	April - 2001
NEONKYES	NEON	April - 2002
NRVLKYMA	NORTONVILLE	March - 2002
NWHNKYMA	NEW HAVEN	2H2003
OKGVKYES	OAK GROVE	May - 2001
OWBOKYMA	OWENSBORO	March - 2001
OWTNKYMA	OWENTON	October - 2001
PARSKYMA	PARIS	June - 2001
PDCHKYIP	PADUCAH INFORMATION PARK	June - 2003
PDCHKYLO	PADUCAH LONE OAK	April - 2001
PDCHKYMA	PADUCAH KENTUCKY STREET	April - 2001
PDCHKYRL	PADUCAH REIDLAND	April - 2001
PIVLKYMA	PINEVILLE	July - 2001
PKVLKYGV	PIKEVILLE GARDEN VILLAGE	July - 2003
PKVLKYMA	PIKEVILLE	January - 2000
PKVLKYMT	PIKEVILLE META	February - 2002
PLRGKYMA	PLEASANT RIDGE	March - 2002
PNVLKYMA	PAINTSVILLE	June - 2001
PRBGKYES	PRESTONSBURG	June - 2001
PRTNKYES	PRINCETON	September - 2001
PRVDKYMA	PROVIDENCE	July - 2001
PRVLKYMA	PERRYVILLE	February - 2002
RBRDKYMA	ROBARDS	March - 2002
RCMDKYMA	RICHMOND	March - 2001
RLVLKYMA	RUSSELLVILLE	September - 2001
RSTRKYES	ROSE TERRACE	March - 2001
SDVLKYMA	SADIEVILLE	2H2003
SHVLKYMA	SHELBYVILLE	February - 2001
SLVSKYMA	SALVISA	February - 2002
SNTNKYMA	STANTON	October - 2001
SPFDKYMA	SPRINGFIELD	July - 2001
SSVLKYMA	SIMPSONVILLE	July - 2001
STFRKYMA	STANFORD	July - 2001
STGRKYMA	STAMPING GROUND	May - 2002
STRGKYMA	STURGIS	August - 2001
SYMSKYMA	SYMSONIA	December - 2002
TYVLKYMA	TAYLORSVILLE	July - 2001
VIRGKYMA	VIRGIE	April - 2002
WACOKYMA	WACO	February - 2002
WDDYKYMA	WADDY	2H2003
WHBGKYMA	WHITESBURG	June - 2001
WHVLKYMA	WHITESVILLE	April - 2002
WLBGKYMA	WILLIAMSBURG	September - 2001
WLCKKYES	WALLINS CREEK	February - 2002
WNCHKYMA	WINCHESTER	March - 2001
WRFDKYMA	WARFIELD	April - 2002
WYLDKYES	WAYLAND	February - 2002

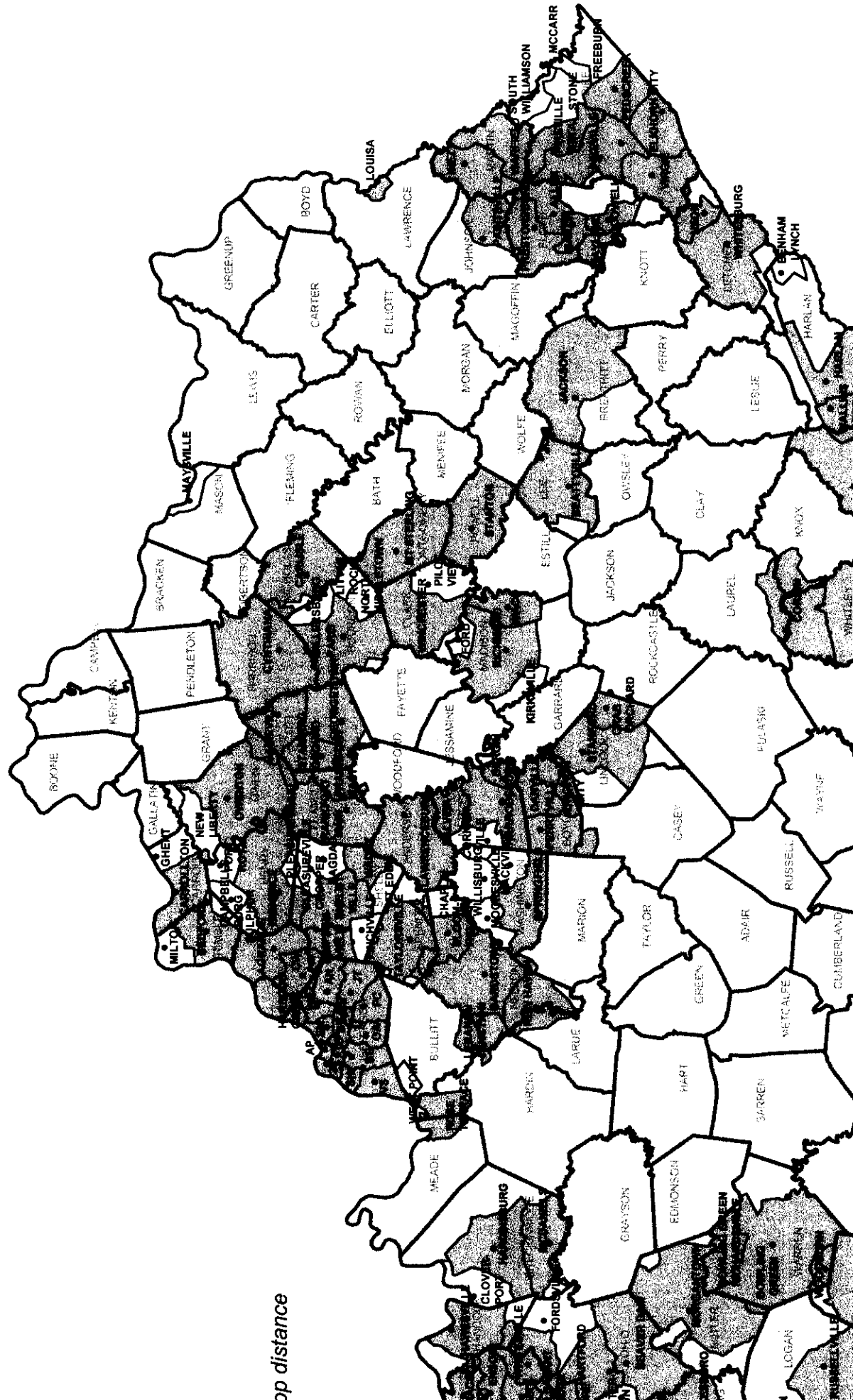
## Infrastructure Deployment

# Original TRP Proposed Broadband Deployment in Blue

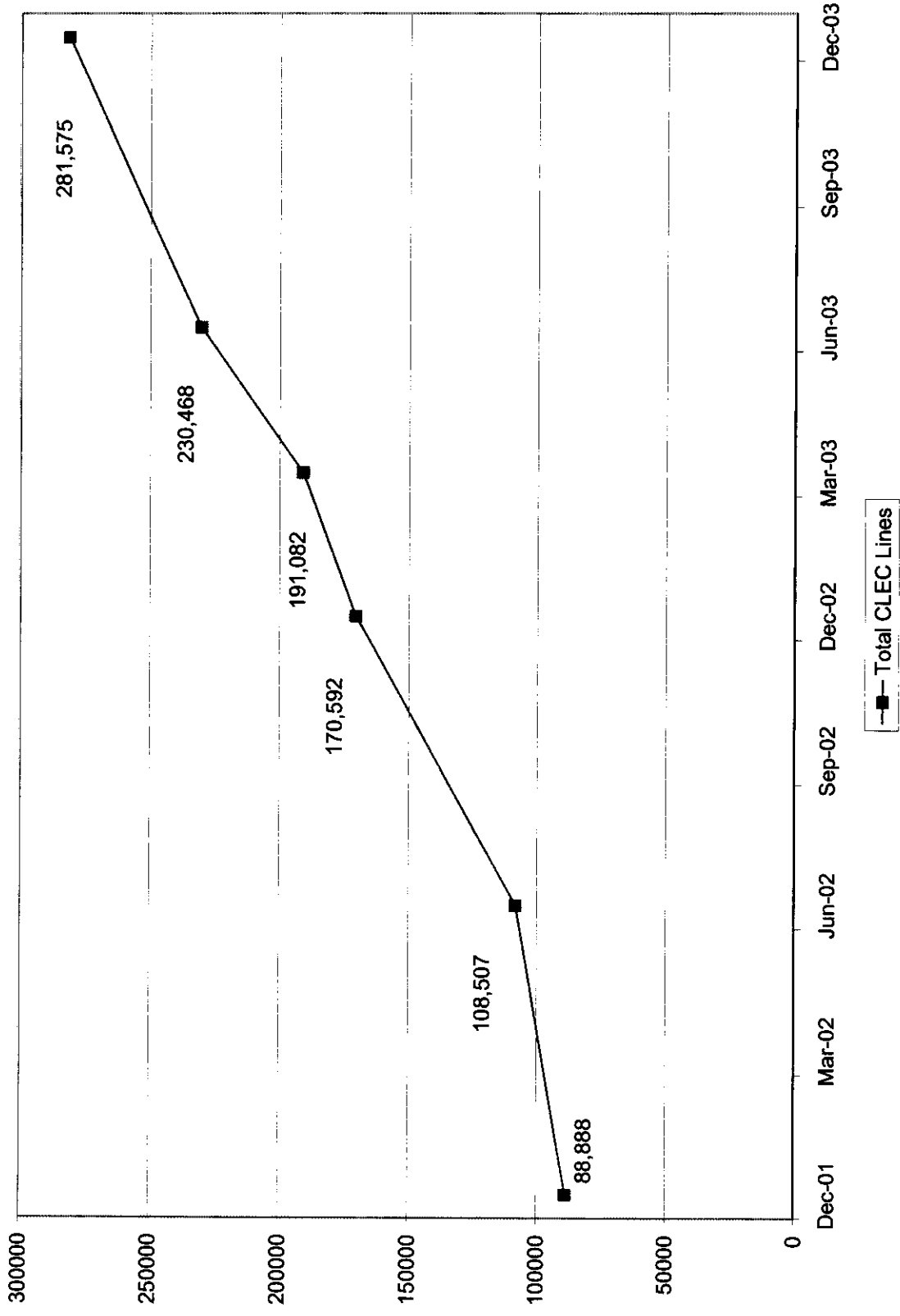


## Exhibit 2c

**pop distance**



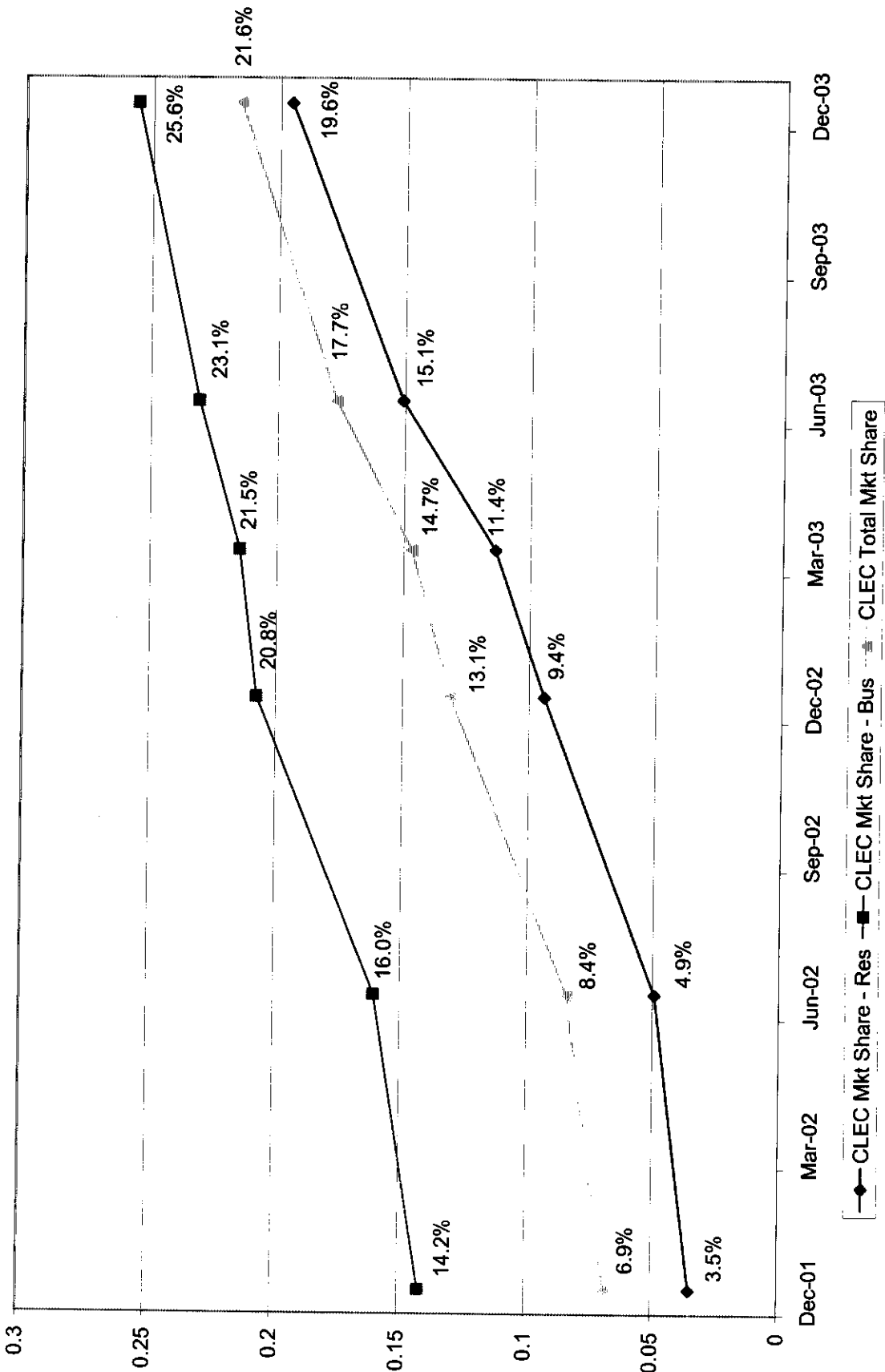
CLEC ACCESS LINES IN BST KENTUCKY MARKETS



December 2003  
is a trended data point.



CLEC MARKET SHARE IN BST KENTUCKY MARKETS



December 2003  
is a trended data point.

KENTUCKY CLEC LINE SHARE REPORT  
CLECs with Over 10 Lines

KENTUCKY MAY 31, 2003	Resold Lines	Estimated			Total Local Lines
		Facilities-based/UNE-P Lines			
		RES	BUS	TOTAL	
<b>FACILITIES-BASED/UNE-P PROVIDERS</b>					
1-800 RECONEX					
ACCESS INTEGRATED NETWORKS					
ACCESS POINT, INC.					
ADELPHIA BUS. SOLUTIONS (HYPERION, LOUISVILLE LIGHTWAVE)					
AT&T (+NORTHPOINT, +TELEPORT-TCG, +MEDIAONE, +AT&T BROADBAND)					
BUDGET PHONE, INC.					
BUSINESS TELECOM ( BTI, +FIBERSOUTH)					
CAT COMMUN INTL ( CCI )					
CINERGY COMMUNICATIONS( COMMUNITY TEL)					
CITIZENS (GLOBAL CROSSING, FRONTIER )					
COMM SOUTH COS					
DELTA PHONES					
DIALOG SMALL					
E-Z TALK COMM LLC					
E SPIRE COMM. ( ACSI )					
EPIK COMMUNICATIONS					
ERNEST COMMUNICATIONS					
GLOBAL CONNECTION INC					
GRANITE TELECOMMUNICATIONS					
ICG COMMUN. (INTELCOM)					
IDS TELECOM					
LEGSTAR (EMPIRE TELECOM SVCS)					
LIGHTYEAR COMMUNICATIONS					
MCI METRO (+WORLD COM, +WORLD MEDIA, +MFS, +BROOKS, +INTERMED)					
MOMENTUM BUSINESS SOLUTIONS					
NAVIGATOR TELECOM, LLC					
NETWORK TELEPH. (+LIGHTNETWORKS)					
NEWSOUTH COMM (+UNIVERSAL.COM)					
NOS COMMUNICATIONS					
ONESTAR COMMUNICATIONS					
PHONE-JUNK					
SOUTHEAST TELEPHONE					
TELE CONEX					
TELSON COMMUNICATIONS, INC.					
THE OTHER PHONE CO (ACCESSONE, +TALK.COM, +OMNICALL)					
TRIVERGENT (NUVOX, STATE COMM, GABRIEL)					
US LEC					
VARTEC TELECOM					
VELOCITY NETWORKS					
Z-TEL COMMUN.					
<b>FACILITIES-BASED Sub-Total</b>	<b>6,523</b>	<b>110,439</b>	<b>87,722</b>	<b>198,161</b>	<b>208,056</b>

KENTUCKY CLEC LINE SHARE REPORT  
CLECs with Over 10 Lines

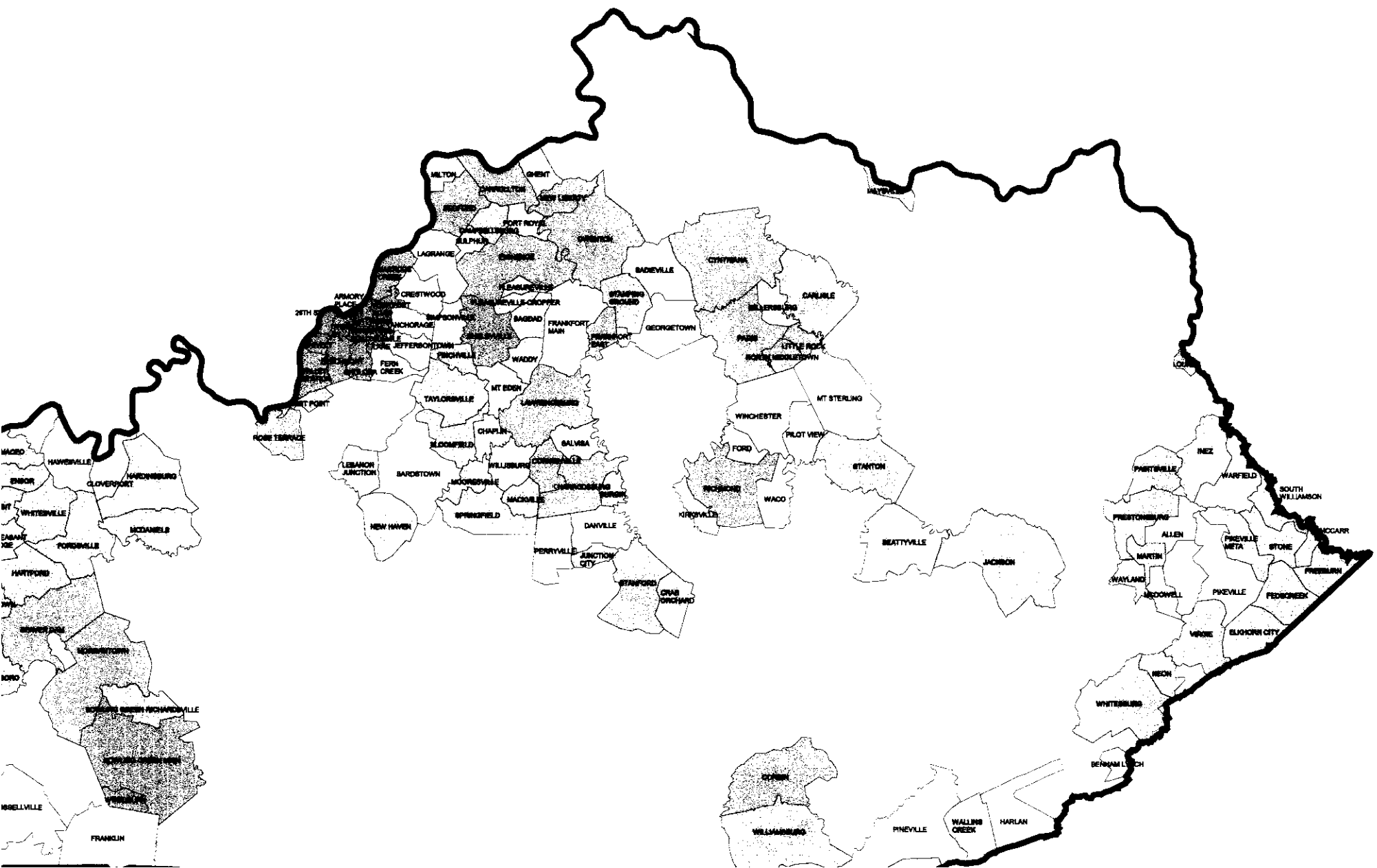
KENTUCKY MAY 31, 2003	Resale Only [10 + Lines]	Resold Lines		Estimated			Total Local Lines
		RES	BUS	RES	BUS	TOTAL	
ALLSOUTH PHONE CONNECT							
ANNEX, INC.							
BUY-TEL COMMUNICATIONS, INC.							
CREDIT LOANS INC.							
DPI-TELECONNECT							
E-Z PHONE INC.							
FAIR FINANCIAL (MIDSTATE TELECOM)							
FLORIDA TELEPHONE (FLATEL)							
HOLT & COMPANY							
INTER-MOUNTAIN CABLE							
LCI INTERNATIONAL (QWEST)							
MAX - TEL COMMUNICATIONS							
METRO TELECONNECT							
MONEY TO GO (MTG PHONE SVC)							
MXV.COM							
NEW PHONE (IMAGE ACCESS)							
NOW COMMUNICATIONS (+TEL-LINK, +TELSTAR)							
NUSTAR COMMUN. (TELEVIA)							
STATE DISCOUNT TELEPHONE							
TONY RAGLAND (SMART-TEL)							
TRICOM MOBILE PAGING							
UNITY ACQUISITION (UNITY COMMUN)							
UNIVERSAL TELECOM (UNIV. TELEPHONE)							
USA TELECOM (INT'L DESIGN GRP)							
VAST-TEL COMM INC							
Resale-only (10 + Lines) SUBTOTAL		6,517	457	-	-	-	6,974

KENTUCKY MAY 31, 2003	Resold Lines		Estimated			Total Local Lines
	RES	BUS	RES	BUS	TOTAL	
GRAND TOTAL →	13,040	3,829	110,439	87,722	198,161	215,030

Total	→
Resold	→
	16,869

BellSouth Share of Kentucky Access Lines =	1,085,509
CLEC Share of Kentucky Access Lines =	215,030
May 31, 2003	
LINE SHARE ESTIMATE	= 16.5%

## Exhibit 5



**Exhibit 6** **Page 1a of 11**  
**Representative Sample of Advertisements for CLEC Service Offers**



Dear Neighbor,

**NOW YOU HAVE A CHOICE IN LOCAL PHONE SERVICE! A LESS EXPENSIVE CHOICE!**

I am proud to announce the arrival of AT&T Digital Phone service in your neighborhood – the latest innovation brought to you by Insight Communications. Now you have the choice of a quality local phone service for less money. And you don't have to change your phone number to get it.

**SAVE BIG WITH AT&T DIGITAL PHONE SERVICE FROM INSIGHT.**

Switch to AT&T Digital Phone service today and start saving up to \$207 annually on your local phone bill.\* Save even more when you add other Insight services.

<b>Your Monthly Savings**</b>			
	<b>Bel South</b>	<b>AT&amp;T Digital Phone</b>	<b>Monthly Savings</b>
Monthly Service	\$ 8.95	\$ 3.95	\$ 5.00
Local Long Distance	\$ 8.95	\$ 3.95	\$ 5.00
Additional Features			
Caller ID, Call Waiting	\$ 2.00	\$ 0.00	\$ 2.00
<b>Total</b>	<b>\$ 20.85</b>	<b>\$ 7.90</b>	<b>\$ 12.95</b>

**LIFE'S A LITTLE SIMPLER WHEN YOU HAVE INSIGHT.**

You also have the choice of putting AT&T Digital Phone service on the same bill with either Insight Digital or InsightBB.com, our new broadband service that delivers high-speed Internet access. You'll save an additional \$10 every month! And when you put all three services together, you save \$20 every month!

**DIGITAL CLARITY AND RELIABILITY FROM TWO TRUSTED NAMES IN COMMUNICATIONS.**

Insight Communications and AT&T Broadband have teamed up to bring you an altogether new kind of local phone service. AT&T Digital Phone service is delivered over a broadband communications network, so you get digital clarity and reliability all in one simple, single connection to your home.

- Keep your current phone number.
- Choose from one, two, three or four line packages.
- Get both local and long-distance calling.
- Enjoy convenient features and services like Call Waiting, Caller ID, Voice Mail and more.
- Expect world-class customer service.

**CALL TODAY AND GET INSTALLED FOR JUST \$9.95.**

Start enjoying all the benefits – and savings – that come from having a choice in local phone.

We look forward to providing you with AT&T Digital Phone service from Insight – the very latest in local phone service.

Sincerely,

Gregg Graff  
 Senior Vice President, Operations, Insight Communications

**With AT&T Digital Phone service from Insight, you can save up to \$207 a year on your local phone bill and can even save an additional \$10 or \$20 a month. Switching is simple, just one phone call.**

\*Savings based on a comparison of the monthly cost of AT&T Digital Phone service from Insight to the monthly cost of a comparable local phone service. Savings may vary by area. \*\*Savings based on a comparison of the monthly cost of AT&T Digital Phone service from Insight to the monthly cost of a comparable local phone service. Savings may vary by area. For more information, call 1-800-447-4474 or visit us online at insight.com.

# Score With Savings!

**MIKE SHEETS**  
DIGITAL SPECIALIST  
**664-8675**

## TRIPLE PLAY PROMOTION! FREE INSTALL & FREE MODEM

### Digital Cable TV



### High Speed Cable Internet



### 2 Local Digital Phone Lines



- Family Pak (17 extra channels)
- HBO/MAX Pak
- LocalSource
- Video On Demand
- 35 Digital Music Channels

- 50% faster than 56k modem service
- Constant, reliable connection
- Unlimited access - Low monthly rate

- Local digital telephone service
- Includes 2 phone lines
- Caller ID & call waiting on one line
- Keep current phone numbers

## DOUBLE PLAY PROMOTION!

**\$ 4.95 INSTALL**

### Digital Cable TV

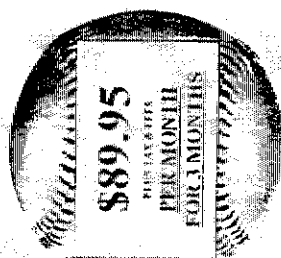


### 2 Local Digital Phone Lines



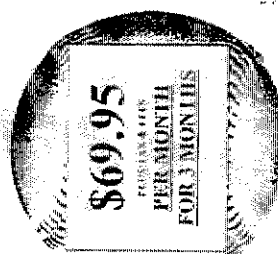
- Family Pak (17 extra channels)
- HBO/MAX Pak
- LocalSource
- Video On Demand
- 35 Digital Music Channels

- Local digital telephone service
- Includes 2 phone lines
- Caller ID & call waiting on one line
- Keep current phone numbers



**\$ 11.25 AFTER 3 MONTHS \***

For current & new cable customers



**\$ 10.00 AFTER 3 MONTHS \***

\* PACKAGE PRICE DOES NOT INCLUDE LONG DISTANCE, TAXES, AND FRANCHISE FEES  
FIRST BILL INCLUDES SOME MODERATION SERVICE AND A PROGRAMMED AMOUNT OF PENDING ON YOUR BILLING CYCLE  
ALL OTHERS WILL BE ADDED TO THE MONTHLY RATE AND WILL BE PREPARED  
INSTALLATION FOR CURRENT CUSTOMERS IS FREE. FOR NEW CUSTOMERS, THERE IS A \$10.00 FEE



**Rick Dees**  
*Host of Rick Dees Weekly Top 40  
 and a LightyearHOME customer.*

# Hey, Louisville!

## Get UNLIMITED Local and Long Distance calling from your home phone for one low monthly rate!

Now you can call whoever you want, whenever you want, for ONE low fixed rate as low as \$49.99\* a month. You get unlimited local calling and unlimited nationwide long distance with all the custom calling features you could ever wish for. All from ONE company on ONE easy to understand bill. There is NO cost to switch, NO contract to sign, and you keep your same phone number.

*Quick and easy toll-free sign up • Switch is seamless*



**Unlimited local calling and  
 unlimited 1+ domestic long  
 distance calling**

Call Waiting, Deflect-  
 ed, Call ID Service,  
 3-way, 4-way Calling,  
 Repeat Calling,  
 Call Forwarding, Variable  
 Speed Voice Mail

**19.99\***



Includes the same features as the  
 Opportunity Plan except unlimited  
 long distance and basic voice mail

**Every low long distance rates  
 of 4.9¢ per minute** to all inter-  
 state calls with 9-second billing  
 increments.

**29.99\***

One call gets you started: 877-LOCAL 11 (877-562-2611)

### HOME



**Call 877-LOCAL 11 between 8 a.m. and 8 p.m. E.S.T., Monday - Friday  
 to get your Home Phone Service! Please reference code # 254812**

\*Price does not include taxes or regulatory fees. Charges for international calls are billed separately and rates will vary depending on the country called. (Opportunity Plan, Opportunity Plan and Super Plan prices are subject to change without notice and are subject to change. Some features may not be available in all areas and/or additional charges may be assessed as an add-on charge. LightyearHOME Company and Super Plan are trademarks used only and DO NOT support QoS Service.

**Must currently have home phone service to apply**

To advertise in the ShowWrite™ adspace, call 502.427.8932. PRATTEN AND SONS, INC. 1721 W. 4TH ST. WASHINGTON, D.C. 20004

# ShopWise

WHERE SAVINGS BEGIN



the real deal



**Attention  
BellSouth  
Residential  
Customers:**  
  
**You Can Save  
Big By Joining  
MomentumFamily**

## **MomentumFAMILY 60**

as low as

**\$26.95**  
month\*

**FREE** Unlimited Local Calling  
**FREE** 60 Minutes Long Distance  
**FREE** 10 Popular Calling Features

## **MomentumFAMILY Unlimited**

as low as

**\$42.95**  
month\*

**FREE**

**FREE** Unlimited Local Calling  
**FREE** Unlimited Long Distance  
**FREE** 10 Popular Calling Features

**CALL AND ENROLL TODAY!**

**1-800-810-7515**

YOUR PROMOTION CODE IS: **0940530616**

**family**

No Cost To Switch • No Installation Necessary • No Interruption In Service  
One Monthly Bill For Everything • Keep Your Current Numbers And Features  
Seamless Conversion • Sales Agent Opportunities Available

**A Southeast-Based Company**

\*Free calling features exclude weekend, available for \$5.95. Residential voice services only. Savings vary based on plan selected and zone. Prices exclude taxes and regulatory charges such as Universal Service Fund, state fees, and other charges. The actual amount of savings is subject to change. Savings are not available in all areas. Savings are not available in all areas. Savings are not available in all areas.

PH: 05/25/03 JRG141648

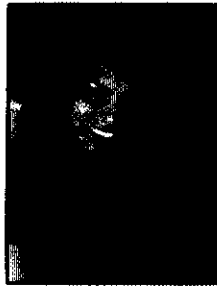


**Bardstown...**

**Your Best Choice For  
Home Phone Service**

USTel Mailing  
760 SW Vista Avenue  
Suite 54  
Portland, OR 97205

**USTEL**



\*\*\*\*\* ECAWSS \*\* R-012  
Current Resident

Bardstown, KY 40004-2727

|||||

**Special Offer For**

**BellSouth®  
Customers**

**Call Now...1-800-418**

# Our Most Popular Local Plan

**\$24<sup>95</sup>\***  
a month

- Unlimited Local Calling
- 30 Minutes FREE Long Distance Every Month
- FREE Caller ID & Call Waiting

Call in the next 24 hours and get 3 more Features for FREE!

## Your Phone Number Will Not Change

### Why switch to USTel?

To save up to 30% off your current BellSouth® phone bill. This can translate to a savings of over \$250 dollars a year! We offer a variety of combined Local, Long Distance and feature packages requested by our customers to fit their needs. We have one to fit yours. Just give us a call and in a few short minutes we'll take care of everything. It will cost you nothing to switch and your phone number won't change.

### Who is USTel?

USTel has been providing residential phone service nationally for over 10 years. We are certified by the Public Service Commission of Kentucky and are now offering service in your area. Since we have built our company in a competitive (Non-Monopoly) environment, we can offer you a better value on your local and long distance phone services.

### Call your friends and family for FREE

All calls between USTel customers are FREE no matter where you live. For example, you can now call member-to-member from Kentucky to anywhere in the continental U.S. for FREE!

### Want More?

#### Earn Free Service

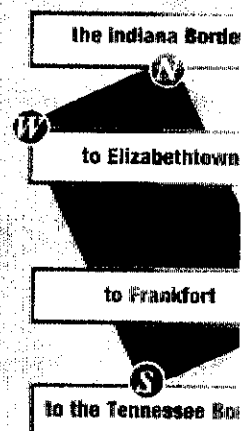
Receive FREE Months of Local Service every time you refer new customers to USTel! Refer five customers in a month and we will give you an entire year of FREE SERVICE.

*"My bill has literally been cut in half." - Melissa M., Philadelphia, PA*

### Turn up your phone service with:

- Free Features like Caller ID
- Long Distance as low as 4.9¢ a minute
- Wider Toll-free Calling Areas
- Free Member-to-Member Calling
- Free Long Distance Minutes every month
- Free Service for every Referral

### Regional Area Plan Call within the Areas for FREE



### Regional Area Plan

This optional plan gives the largest Toll-Free calling area available in the state. Now you can call all the surrounding and in between areas above for FREE. Call for more information.

Introducing the Smart Choice for home phone service: Z-LineHOME™. From 2-11pm. As a customer you will receive the most comprehensive, affordable and effective local and long distance service in the residential market.

And, there's NO cost  
to change your service!!!

Unlimited Local	Included
Unlimited Long Distance	Included
Unlimited Local	Included
Unlimited Long Distance	Included
Unlimited Local	Included
Unlimited Long Distance	Included

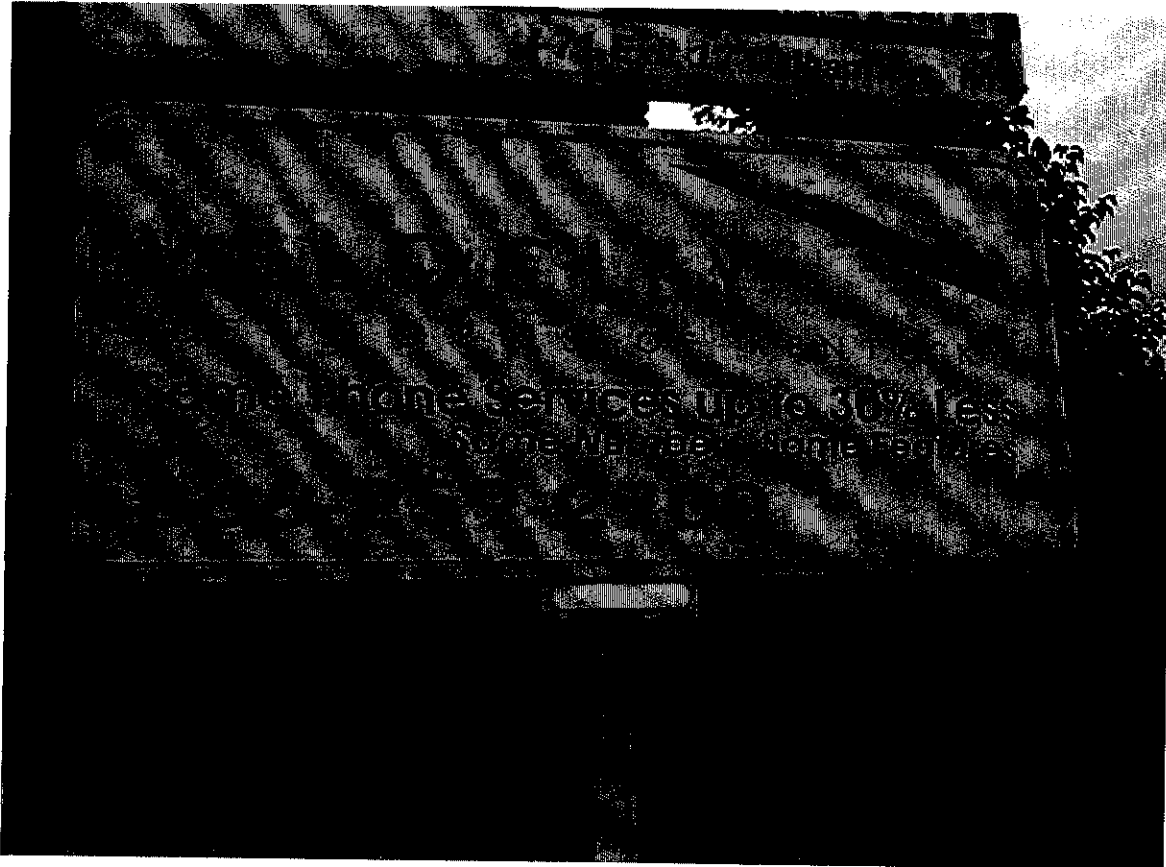
- 49.99

**TERESA SHERROE**

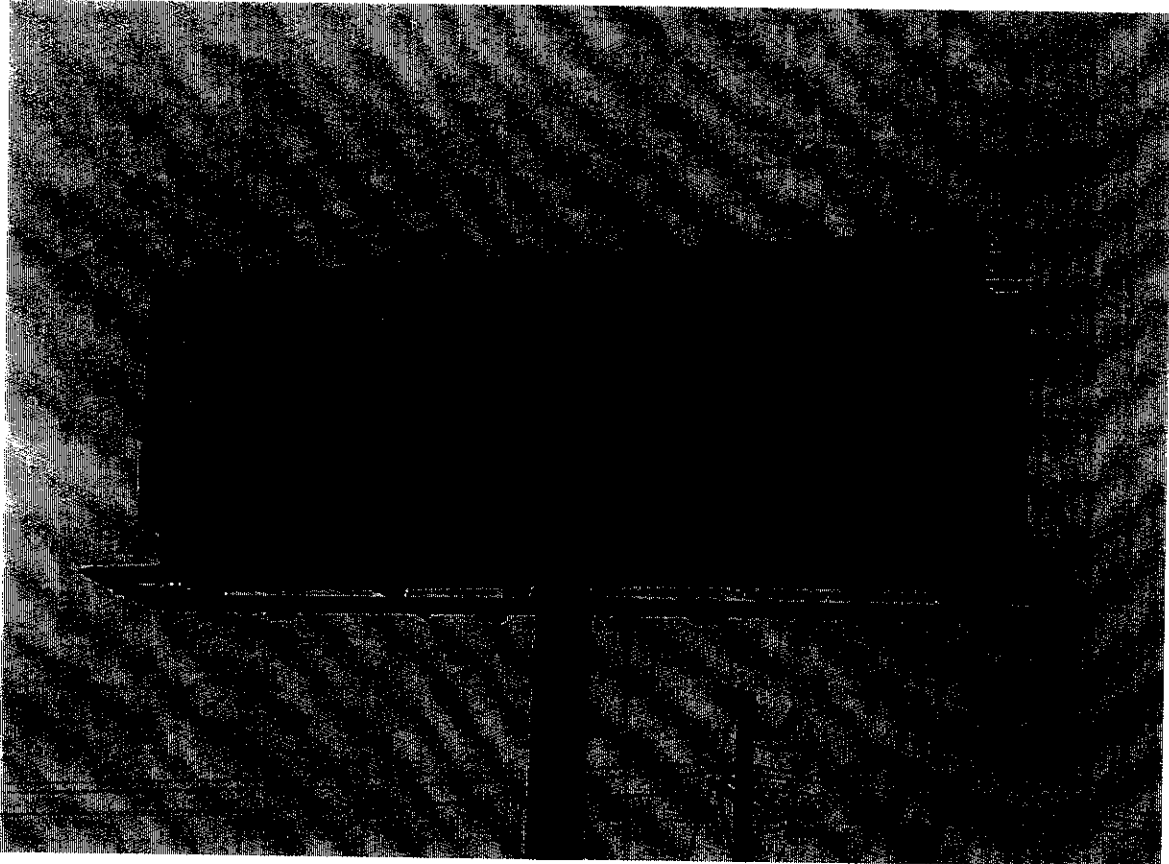
Toll free 1-866-205-6820

Other items: 1005 1005 1005

Billboard located at the corner of Sixth Street and Muhammad Ali Boulevard, Louisville, KY, and also in the parking lot adjacent the BellSouth building at 526 Armory Place in Louisville, KY.



Billboards located and viewable from:  
River Road and I-71 South  
I-64 East and I-71 North  
Preston Highway and I-264 West





Search


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[FAQ](#)
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[Plans](#)
[Local Service](#)
[Local Kentucky](#)
[Long Distance](#)
[Service](#)
[Internet Access](#)
[Web Hosting](#)
[Customer Care](#)
[Our Store](#)
[Press & Events](#)
[Contact Us](#)
[Account Info](#)
[Others](#)

[Go Home for Cinergy Corp.](#)

## Cinergy Communications Local Phone Service - Kentucky Feature List

### Available packages and pricing

Local/LD Combo 1 -- \$24.95 per month

### SPECIAL OFFER!

Sign up now and get our Local/LD Combo 1 for only \$21.95 PER MONTH for your first six months!

## FAQ

(Frequently Asked Questions)

[CLICK HERE](#) for a list of Frequently Asked Questions about our Local Phone Service in Kentucky.

### Package includes these features:

- 60 minutes of anytime/anywhere Long Distance Service\* per month!
- Call Waiting
- Caller ID
- Enhanced Caller ID
- 900/976 Block
- Three-way Calling
- Call Block
- Call Tracing
- Distinctive Ringing
- Call Forwarding-Variable, Call Return, Speed Calling 30, and Call Selector features are an additional \$3/month each or FREE to customers getting Internet access from Cinergy Communications at \$14.95 monthly.

\*Long Distance minutes available only through Cinergy Communications Long Distance service. Monthly allotment of minutes good only on calls within the 48 contiguous United States. Unused minutes do not carry over. Usage beyond 60 minutes billed at 7 cents per minute.

---

**Two-Line Package-- \$44.95 per month**

Includes these features:

- A second local number -- use it for the kids, or your home office.
- *60 minutes of anytime/anywhere Long Distance Service\* per month!*
- Call Waiting
- Caller ID
- Enhanced Caller ID
- 900/926 Block
- Three-way Calling
- Call Block
- Call Tracing
- Distinctive Ringing
- Call Forwarding-Variable
- Call Return
- Speed Calling 30
- Call Selector

\*Long Distance minutes available only through Cinergy Communications Long Distance service. Long Distance minutes provided with the Two-Line Package apply to and are available from only the designated primary line. Monthly allotment of minutes good only on calls within the 48 contiguous United States. Unused minutes do not carry over. Usage beyond 60 minutes billed at 7 cents per minute.

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**Optional Features and Services:**

- Inside Wire Maintenance/Trouble Determination (\$4.95/mo.)
- Basic Phone Service

NOTE: Prices do not include taxes or other fees. Call 1-800-599-1000 to confirm availability in your area.

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## Your Phone Number Will Not Change

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To save up to 30% off your current BellSouth® phone bill. This can translate to a savings of over \$250 dollars a year. We offer a variety of combined Local Long Distance and feature packages requested by our customers to fit their needs. We have one to fit yours. Just give us a call and in a few short minutes we'll take care of everything. It will cost you nothing to switch and your phone number won't change.

### Who is USTel?

USTel has been providing residential phone service nationally for over 10 years. We are certified by the Public Service Commission of Kentucky and are now offering service in your area. Since we have built our company in a competitive (Non-Monopoly) environment, we can offer you a better value on your local and long distance phone services.

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*"My bill has literally been cut in half." - Melissa M., Philadelphia, PA*

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Regional Area Plan  
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Areas for FREE

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to Elizabethtown

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# EXCEL

1. *Explain the importance of the following factors in the development of the human brain:*  
 a. *Genetics*  
 b. *Environment*  
 c. *Nutrition*  
 d. *Stimulation*

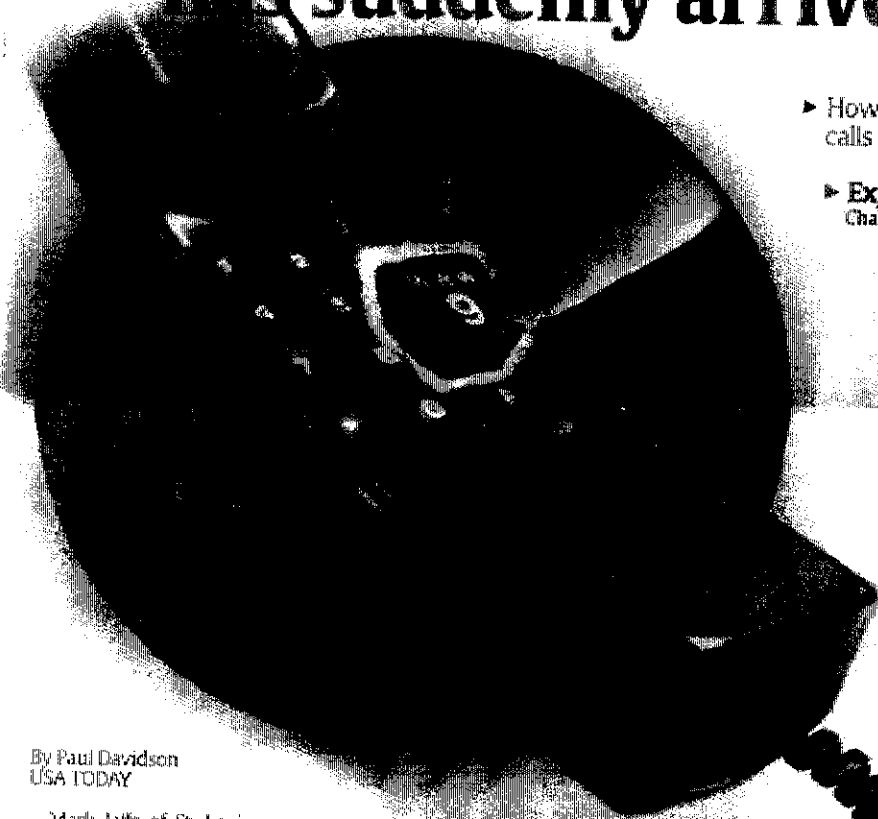
**Cellular Alternatives Available to Residential & Business Customers in Kentucky      Exhibit 7**

Company	Service Name	Anytime Minutes	Additional Minute Rate	Night & Weekend Minutes	Nationwide Long Distance	Features	Price
<b>AT&amp;T Wireless</b>	<b>MLife Local</b>	45	\$0.45	N/A	N/A	3-Way, CF, CID, CW, VM	\$19.99
	<b>MLife Local</b>	350 up to 5,000	\$0.25 - \$0.45	Unlimited	Included	3-Way, CF, CID, CW, VM	\$29.99 up to \$299.00
	<b>MLife National</b>	30 up to 4,700	\$0.25 up to \$0.45	N/A	Included	3-Way, CF, CID, CW, VM	\$19.99 up to \$299.00
<b>Cingular</b>	<b>SuperHome 50</b>	50	\$0.49, Roaming \$0.79	N/A	Included	3-Way, CF, CID, CW, BVM	\$19.99
	<b>SuperHome 300</b>	300 + 5,000 Choice	\$0.45, Roaming \$0.79	N/A	Included	3-Way, CF, CID, CW, BVM	\$29.99
	<b>SuperHome 300 + 50% Rollover - 3,500</b>	450 - 5,250	\$0.45, - \$0.29 Roaming \$0.79	N/A	Included	3-Way, CF, CID, CW --- BVM	\$29.99 - \$199.99
	<b>SuperHome 600 + - 2,500 Rollover</b>	600 + - 2,550 + 5000 Choice	\$0.45, - \$0.35 Roaming \$0.79	N/A	Included	3-Way, CF, CID, CW, BVM	\$39.99 - \$149.99
	<b>Nation 200</b>	200	\$0.45, Roaming Included	Included	Included	3-Way, CF, CID, CW, BVM	\$35.00
	<b>Nation 400 + - 2,000 + Rollover</b>	400 - 2,000	\$0.39 - \$0.35	1,000 - 5,000	Included	3-Way, CF, CID, CW, BVM	\$45.00 - \$150.00
<b>T-Mobile</b>	<b>Basic</b>	50	\$0.45	500 Weekend + 0 Nights	Included + Roaming Included	EVM, CID, CW, CH, 3-Way	\$19.99
	<b>Basic Plus</b>	300	\$0.40	Unlimited Weekend + 0 Nights	Included + Roaming Included	EVM, CID, CW, CH, 3-Way	\$29.99
	<b>Get More 1000 - Supra</b>	1000 up to 5,000	\$0.30 up to \$0.40	N/A up to Unlimited	Included + Roaming Included	EVM, CID, CW, CH, 3-Way	\$39.99 up to \$129.99
<b>Verizon</b>	<b>Local Digital Choice 500 - 1,100</b>	500 up to 1,100	\$0.45 - \$0.35	Unlimited	\$0.20, Roaming \$0.69	3-Way, CF, CW, CID, VM	\$39.99 up to \$79.99
	<b>America's Choice 400 - 700</b>	400 - 700 + 100 Bonus	\$0.45 - \$0.40	Unlimited	Included	3-Way, CF, CW, CID, VM	\$39.99 up to \$59.99
<b>Sprint</b>	<b>PCS Free &amp; Clear 300 - 2,000</b>	300 up to 2,500	\$0.45 - \$0.40	1,000 - Unlimited	Included	VM, CID, CW, CF, 3-Way, Paging	\$35.00 - \$115.00
	<b>PCS Free &amp; Clear 300 - 2,500 w/ Vision</b>	300 up to 2,500	\$0.45 - \$0.40	1,000 - Unlimited	Included	VM, CID, CW, CF, 3-Way, Paging	\$50.00 - \$115.00
<b>Nextel</b>	<b>Instant Connect 5000</b>	500	\$0.40/min	N/A	\$0.20/min	CH, CW, 3-Way	\$39.99
	<b>National Value I - II</b>	300 - 500	\$0.40	3,200 - 4,000	Included	CH, CW, 3-Way	\$35.99 - \$45.99
	<b>National Free Incoming I - IV - Unlimited Plus</b>	400 up to 1,100 - Unlimited	\$0.40 N/A	Unlimited	Included	VM, CID, CH, CW, 3-Way	\$59.99 up to \$119.99 up to \$199.99

1. All information was compiled from Internet websites. Depending on the specific plan, roaming fees (off-network fees) may apply. Prices shown do not include taxes or additional fees authorized by regulatory authorities.
2. Features - CH - Call Hold, CW - Call Waiting, 3-Way - 3-Way Calling, VM - Voice Mail, CID - Caller ID, NOT - No Answer Transfer, BDA - Basic Digital Advisor, PVM - Premium Voice Mail, CF - Call Forwarding, EVM - Enhanced Voice Mail
3. Some providers offer a number of enhanced services, i.e., Enhanced Voice Services, Paging Services, Online Services, Messaging Services, Email Services, Blackberry Email Services, etc., with additional charges for such services & Geographic coverage areas may differ by provider & Rate plans may not be available in all areas. Some offers are only available for a limited time & all offers are subject to change without notice. Most plans require a term contract, and may contain early termination fees.

**Voice Over Internet Protocol**  
**USA Today Cover Story**  
**July 7, 2003**

# Calling via Internet has suddenly arrived



► How Internet telephone calls work, graphic 2B.

► **Expert chat online**  
 Chat about this topic with  
 Daryl Schooler of In-Stat/  
 MDR on Wednesday at  
 2 p.m. ET at  
[talk.usatoday.com](http://talk.usatoday.com)

By Paul Davidson  
 USA TODAY

Mark Jaffe of St. Louis recently threw caution to the wind and ditched his trusty SBC Communications local phone service in favor of an offering from an Internet phone start-up called Vonage.

Now his calls travel over the Internet via his cable broadband line. His typical \$120 monthly bill has been cut to a flat \$39.99 rate for unlimited local and long-distance calls and features such as caller ID. Because his physical location is irrelevant for Internet phone service, he was able to choose a number with a San Francisco area code (415), allowing a close friend in that city to dodge long-distance charges. Plus, via a PC he can hear his voice mail by clicking on e-mail, and he can update his call-forwarding, track his calls and bills and even change his phone number, all on the Web.

"There was initial concern," says Jaffe, 36, noting the dubious quality and reliability of Net calling in the late 1990s. But, "Quality is phenomenal, and it's very cost-effective."

Making phone calls on the Internet has suddenly arrived — and it's poised to rock the telecommunications industry.

Until about 18 months ago, Internet calls meant tinny, ham-radio like connections over PC microphones and speakers. It was largely the province of hobbyists who gladly put up with the jittery voice quality for the chance to beat the system, make free calls and cultivate a pioneer spirit.

But technological advances and broadband's growth have made calls on the Net, or Internet-like private networks, roughly equivalent to traditional phone service.

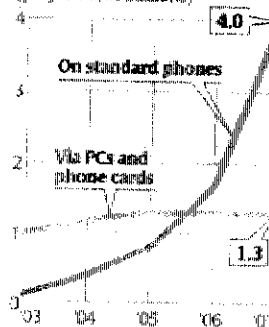
"It's beginning to transition from something only a real Internet-savvy person would do into something ordinary folks can do," says Jupiter Research

## Cover story

Please see COVER STORY next page ►

## More Web calls

Number of U.S. consumers making calls on the Internet: (projected, in millions)



SOURCE: JUPITER RESEARCH

BY KATL GALLAGHER, USA TODAY

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## Voice Over Internet Protocol USA Today Cover Story July 7, 2003

# Technological advances make Net calling more like regular calling

Continued from B1

analyst Joe Laszlo

The number of U.S. households making Internet calls with standard phones is expected to grow from about 100,000 today to 4 million in 2007, says In-Stat/MIDR.

There is a catch: You generally need to already have a broadband connection, which costs about \$40 a month. The number of such cable modem and phone company DSL lines is projected to double to about 40 million in 2007, Jupiter says.

### Cover story

The technology is not new. Since the mid-1990s long-distance companies have sent a growing portion of their intercity traffic via "Voice over Internet Protocol (VoIP)" technology, though customers don't realize it. VoIP is similar to the public Internet service offered by firms like Vonage — both convert voice into digitized packets — but instead it uses private networks.

Last year, 10% of international calls used VoIP, says research firm TeleGeography. Prepaid calling cards that charge a few pennies a minute use VoIP networks. And in countries like Brazil and Japan, VoIP calling is taking off.

In the USA, Internet phone calling has been slower to develop. A handful of start-ups, such as Vonage and Packet8, offer service that lets customers plug their traditional phones into company-supplied adapters, which, in turn, hook into any broadband line.

### Cable could drive adoption

But the big market shake-up is expected to come from heavy marketing by the cable industry, which has an existing customer base and can bundle phone with TV and Internet services.

"I think cable companies are going to take up to 20% market share" from the regional bells, says analyst Norma Bogen of In-Stat/MIDR.

VoIP is already making inroads among businesses. Nearly 10% of companies that use private networks to link their far-flung locations have moved their intra-office voice calls off the public network and onto VoIP connections, Forrester Research says. They are seeing as much as a 50% decrease in local and long-distance charges.

That's because Internet voice networks are 20% to 50% cheaper to deploy than standard ones, experts say. Traditional circuit-switched phone networks use expensive call-routing computers and wires to link you and the person you're calling for the entire conversation.

Internet-based calls break up voice into digital "packets," each of which takes the most efficient route as it shares wires with other Internet traffic. As the packets near the destination, they are reassembled as a voice.

Within 20 years, nearly all calls will be Net-based, experts say, as even the bells phase out old-style networks in favor of VoIP technology. "I doubt there'll be any more significant investment in" circuit-switched gear, says Bob Adkinson of the Columbia Institute for Tele-Information.

### Dial a friend through the Internet

Vonage sells Internet-based phone service that is almost indistinguishable from service from local phone companies.

#### How it works:

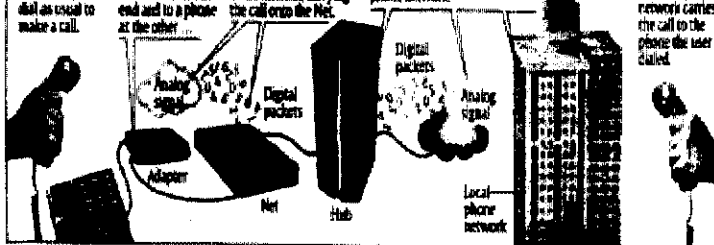
Vonage sends users an adapter. Once it's connected, users dial as usual to make a call.

The adapter, which plugs into a high-speed Net connection on one end and to a phone at the other

converts the analog signal of a phone call into the digital packets of the Internet, carrying the call onto the Net.

The call travels over the Net to a hub near the call's destination. The hub converts the call back to an analog signal and funnels it into the local phone network.

The local phone network carries the call to the phone the user dialed.



Verizon spokesman Eric Kabe acknowledges a transition is coming, but says it will "take a long, long time." For now, he says, "I'd be surprised if [Internet calling] were as reliable and dependable as our service."

### A rocky start for Web calling

It certainly wasn't in 1995, when firms such as Net2Phone started letting people call free from PC to PC using Internet Protocol (IP) addresses.

In the late 1990s, Cisco, Lucent and others built adapters to convert analog voice signals into packets at the caller's home, so regular phones could be used. They also developed "gateways" to translate packets and IP addresses into voice conversations and phone numbers at phone switching stations so calls could use traditional phone lines. Still, echoes and delays marred calls.

But the past few years have brought better equipment, improved technology and more high-speed lines. Ironically, the telecom crash may have spurred some of the advances. "During the downturn, a lot of the engineering went into chips and applications" for the Internet, says Jeff Pulver, a founder of both Vonage and Free World Dialup, another Internet phone start-up.

Vonage was the first company to leverage the technology with a nationwide offering last year. Besides its \$40 all-you-can-call service, it offers a \$25.99 plan with 500 minutes of long-distance. There's a \$29.99 activation fee.

Customers can use the service wherever they can plug a phone and the adapter into a broadband line — not just at home. The phone number stays with the device.

Vonage has 34,000 subscribers, is adding 1,400 a week and expects to reach 1 million by 2006. It recently made distribution deals with No. 3 Internet service EarthLink and two smaller cable firms.

"We gave consumers an experience that's almost identical to what they're used to," Vonage CEO Jeffrey Citron says.

For EarthLink, says Vice President Erika Jolly, adding voice to broadband service reduces customer defections.

Citron concedes quality problems in a small percentage of calls. Experts say that's partly because voice packets may sometimes have to give way to data packets as they share paths on the Internet, delaying the arrival of the voice signal.

Cable companies say their more uniform private networks are able to give priority to the voice packets, virtually eliminating such glitches. While most big cable companies have dabbled in voice offerings using standard switches, they were not planning full-scale rollouts until the arrival of reliable VoIP.

Now, four of the biggest providers — Comcast, Cox Communications, Time Warner Cable and Cablevision — plan to launch Net-style voice service across their regions in the next few years. Small providers are expected to partner with suppliers like Net2Phone and Vonage.

For cable operators, the low cost structure of VoIP calling makes local phone service "a much more attractive business to be in," says Tanya Van Court, vice president of Cablevision, which offers service in western Long Island and expects to offer it by the end of the year to all 4.4 million of its customers.

Cablevision's package is \$34.95 for unlimited local and long-distance and five phone features. For a similar package, the local Bell, Verizon Communications, charges Long Island customers \$59.95. MCI offers a \$40 bundle.

Unlike Vonage, which carries the call across the Internet all the way to wherever the recipient may be, cable companies now typically pay long-distance carriers to transport calls out of their system area, adding to their cost. Comcast, however, is building its own national IP network to skirt those fees.

### Newphone features a draw

Van Court says the big selling point for Web-based calling will be a whole new range of features. "We think that a year or two from now, customers won't be interested in standard telephone service. They'll be interested in how to enhance their Internet experience with voice."

She cites integrated text- and voice-based chats and the ability to use your PC to customize phone features in real time. For example, you can forward calls

to another number, then have them go to voice mail if there's no answer. And Time Warner Cable is looking to provide Caller ID and voice mail notification on your TV screen, doing away with the need to get up from the recliner when the phone rings, says Gerry Campbell, senior vice president for voice for Time Warner, which now has about 1,500 customers in the Portland, Maine, and Rochester, N.Y., areas paying \$39.95 for an unlimited calling service.

"We've cut our phone bill in half," says Sandy Franklin, 54, of Gorham, Maine. The service, she says, had some glitches in the initial weeks, but has worked seamlessly since.

Says Cox Communications' Dianne Moggelgard: "We're looking to be the primary telephone provider." And while Cablevision requires voice customers to also subscribe to high-speed service, Comcast says subscribers will simply need access to a cable broadband line.

The technology has drawbacks. Internet-based phones won't work during a power outage. Most cable companies are considering equipping their modems with battery packs that last up to 16 hours. Cordless regular phones have the same power issue, however. And the prevalence of cellphones has made it less of a concern.

More significant, Vonage customers must register for 911 service. Even then, dispatchers cannot see the caller's phone number and address automatically, as they do with a call from a traditional phone. For that reason, many subscribers use Vonage as a second phone line.

But cost alone has businesses already embracing Net calling. Last year, the Appleton School District in Wisconsin replaced its phone system with a Mitel Systems IP network linking its 26 schools. Now, phone calls between the schools travel over the same private lines that carry data, slashing phone bills 40%.

For Crute & Barrett, a similar IP network from SBC for its Northbrook, Ill., headquarters means not having to run new wires when employees move offices, says phone manager Mark Carrier. And the system lets employees use the phone screen to dial a colleague by clicking on a directory name and even to check weather and stocks.

SBC also is rolling out a service that would permit corporate employees to plug their IP phones and laptops into any broadband line.

One price edge for Net-based calls may be short-lived, however. Because Internet traffic is unregulated, IP voice customers don't pay most phone taxes, such as universal service fees. But as the market grows, the Federal Communications Commission is expected to impose such charges.

Also, several states may raise the fees VoIP carriers such as AT&T pay the bells to transfer Internet-based calls to their local networks, bringing those charges a bit closer to regular voice calls. Yet IP calls should still be cheaper, and observers eventually expect giants like AT&T and MCI to offer the service — on their own or by buying start-ups such as Vonage.

When that happens, "People are going to sign up for it in large volumes," says AT&T Vice President Robert Quinn.

BELLSOUTH  
TELECOMMUNICATIONS, INC.  
KENTUCKY  
ISSUED: August 1, 2003  
BY: E.C. Roberts, Jr., President - KY  
Louisville, Kentucky

## GENERAL SUBSCRIBER SERVICES TARIFF

PSC KY. TARIFF 2A  
Second Revised Page 1  
Cancels First Revised Page 1  
EFFECTIVE: September 1, 2003

### A36. TRANSITION REGULATION PLAN

#### A36.1 Company Transition Regulation Plan

##### A36.1.1 General

- A. The following rules shall govern the operations of BellSouth Telecommunications, Inc. (the Company) and its regulation by the Kentucky Public Service Commission (the Commission). This Tariff applies to all regulated services filed with the Commission as listed in A36.1.4.
- B. Objectives of the Transition Regulation Plan (the Plan).  
The objectives of the Plan shall be to:
  - 1. Ensure basic service continues to be available at reasonable rates, and shield the basic ratepayer from significant price increases resulting from the changing marketplace.
  - 2. Continue to provide high quality service.
  - 3. Permit the Commission and the Company to direct their energies to meet customer's needs and enhance efficiency in the provision of telecommunications services throughout Kentucky.
  - 4. Provide enhanced incentives to invest in new technologies and services.
  - 5. Permit the Company the added flexibility to price competitive services, set depreciation rates, and respond to a changing marketplace.
  - 6. Permit all Company retail rates to move toward incremental cost or market price.
  - 7. Ensure that the potential introduction of competition to all markets in Kentucky is not hindered by the Plan.
- C. In addition to the provisions in this section (A36) of the tariff, the Transition Regulation Plan also includes gradual rate rebalancing, infrastructure investments, and the introduction of an Economic Development tariff (A2.4.9).

##### A36.1.2 Definitions

- A. Term – *The Plan will continue until the Commission approves revisions.* (C)
- B. Classification of services - There are three service categories: 1) Industrial, 2) Access, and 3) Retail. See A36.1.4 for the classification of each existing Company service into one of the three service categories.
  - 1. Industrial services are those non-access services that are provided on a wholesale basis to other telecommunications companies (these include Unbundled Network Elements [UNEs] and the resale discount). Also included in the industrial category are Lifeline rates and the Universal Service Fund (USF) rate elements.
  - 2. Access services are Switched and Special Access services as defined in the Access Services (E) Tariff.
  - 3. Retail services are all other services that are not classified as Industrial or Access services.
- C. New Service - A new service is a function, feature, capability, facility, or combination of these, which previously has not been offered.

##### A36.1.3 Regulations

- A. Changing Classification
  - 1. The Company is permitted to reclassify services by applying to the Commission. The Commission has thirty (30) days to review the request for reclassification and either approve or suspend the request. If the Commission takes no action within thirty (30) days, the reclassification is deemed approved. When a request for reclassification is suspended, Commission regulations and Kentucky law are applicable to any further Commission action.
- B. Tariff Requirements
  - 1. Terms and conditions of existing tariffed services are deemed approved and govern the contractual relationship between the Company and its customers.
  - 2. All services must cover long run incremental costs except as noted in A36.1.3.B.3.
  - 3. The Company may in good faith file for prices below long run incremental cost to meet the equally low price of a competitor. The Company shall file evidence that competitors are charging rates below the Company's long run incremental cost for the service. If the competitive price threat vanishes, within thirty (30) days, the Company shall increase its price to cover the long run incremental cost of the service.